

How Contractors Can Claim a Refund for the 1% Sales Tax Increase on Building Materials

1. How do I submit a refund claim?

You must provide proof that you purchased qualifying materials, provide a copy of a qualifying contract, and follow the refund process detailed below. Contractors may submit one consolidated refund claim monthly, quarterly, or at the end of a job.

2. Which materials qualify for the reduction or refund in sales tax?

Tangible personal property qualifies if it is purchased, used, stored, or otherwise consumed for incorporation into real property as part of a qualified contract.

3. What is a “qualifying contract”?

For a contract to qualify, it must meet **all** of the following criteria:

- It was in writing and was signed by April 15, 2003, or was submitted in writing for a bid by April 15, 2003, and subsequently became a written contract.
- It was negotiated or bid based on the sales or use tax being 5%.
- It requires the cost of the sales or use tax to be borne by the contractor.

4. What kinds of contracts do not qualify?

Contracts considered nonqualifying include:

- Cost-plus contracts in which the property owner agrees in advance to cover the builder's cost of materials.
- Any contract that states the property owner will pay for taxes or an increase in taxes borne by the contractor.
- Equipment purchase contracts, rental contracts, and contracts for the retail sale of building materials.

5. If I paid a 6% sales tax to my supplier for materials that qualify and I have a sales or use tax permit, what do I need to do?

a) Follow these steps:

- 1) Provide a copy of the written, signed, qualified contract.

- 2) Attach a copy of the detailed, legible, dated invoice(s) prepared by the **retailer** showing all qualifying items of tangible personal property you purchased.
 - 3) Use the Sales Tax Refund Claim form (Form TCR) to certify that the tangible personal property used by you, the purchasing contractor, was for the attached contract.
 - 4) Click here to access Form TCR: <http://www2.state.id.us/tax/pdf/1998/TCR.PDF> .
 - 5) Fill in the general information on Part I of Form TCR. For Part II, write a statement such as, "The materials shown on the attached invoices were used in a contract qualifying for the 5% sales/use tax rate." Sign, title, and date the form in Part III.
 - 6) Provide a summary schedule identifying the invoices and partial/full amounts claimed, if it would help the auditor to understand the claim.
 - 7) Write the amount of your requested refund on line 7 (the adjustment line) of your sales/use tax return (Form 850 or 850-U). If the amount claimed exceeds the amount due, you will receive a refund if step "b" below is satisfied. Complete line 8 on your return.
- b) The State Tax Commission will review the claim and, if there is a net refund, will pay the refund with interest from the date the claim was filed. The refund will be issued within 30 days from the date the claim was received by the Commission.
- 6. What should I do if I paid a 6% tax to my supplier for materials that qualify and I do not have a sales or use tax permit?**
- a) Follow these steps:
- 1) Provide a copy of the written, signed, qualified contract.
 - 2) Attach a copy of the detailed, legible, dated invoice(s) prepared by the **retailer** showing all qualifying items of tangible personal property you purchased.
 - 3) Use the Sales Tax Refund Claim form (Form TCR) to certify that the tangible personal property used by you, the purchasing contractor, was for the attached contract.
 - 4) Click here to access Form TCR: : <http://www2.state.id.us/tax/pdf/1998/TCR.PDF> .
 - 5) Fill in the general information on Part I of Form TCR. For Part II, write a statement such as, "The materials shown on the attached invoices were used in a contract qualifying for the 5% sales/use tax rate." Sign, title, and date the form in Part III.

- 6) Provide a summary schedule identifying the invoices and partial/full amounts claimed, if it would help the auditor to understand the claim.
- 7) Send your completed refund claim to:

Attn: CONTRACTOR REFUND CLAIM
Idaho State Tax Commission
P.O. Box 36
Boise, Idaho 83722-0410

- b) The State Tax Commission will review the claim and, if there is a net refund, will pay the refund with interest from the date the claim was filed. The refund will be issued within 30 days from the date the claim was received by the Commission.

7. What should I do if I bought nontaxed, qualifying materials for a qualifying contract and I want to accrue and pay use tax at 5%, and I have a sales or use tax permit?

- a) Follow these steps:
 - 1) Provide a copy of the written, signed, qualified contract.
 - 2) Attach a copy of the detailed, legible, dated invoice(s) prepared by the **retailer** showing all qualifying items of tangible personal property you purchased.
 - 3) Use the Sales Tax Refund Claim form (Form TCR) to certify that the tangible personal property used by you, the purchasing contractor, was for the attached contract.
 - 4) Click here to access Form TCR: <http://www2.state.id.us/tax/pdf/1998/TCR.PDF> .
 - 5) Fill in the general information on Part I of Form TCR. For Part II, write a statement such as, "The materials shown on the attached invoices were used in a contract qualifying for the 5% sales/use tax rate." Sign, title, and date the form in Part III.
 - 6) Provide a summary schedule identifying the invoices and partial/full amounts claimed, if it would help the auditor to understand the claim.
 - 7) Write the cost of the qualifying materials on line 4 (Items Subject to Use Tax) on your sales and use tax return.
 - 8) Complete the return up to and including line 6 where you will calculate the 6% tax due.
 - 9) Enter the amount of the tax refund you are claiming on line 7 and complete line 8.

b) The State Tax Commission will review the claim.

8. What should I do if I bought nontaxed, qualifying materials for a qualifying contract and I want to accrue and pay use tax at 5%, and I do not have a sales or use tax permit?

a) Follow these steps:

- 1) Provide a copy of the written, signed, qualified contract.
- 2) Attach a copy of the detailed, legible, dated invoice(s) prepared by the **retailer** showing all qualifying items of tangible personal property you purchased.
- 3) Use the Sales Tax Refund Claim form (Form TCR) to certify that the tangible personal property used by you, the purchasing contractor, was for the attached contract.
- 4) Click here to access Form TCR: <http://www2.state.id.us/tax/pdf/1998/TCR.PDF> .
- 5) Fill in the general information on Part I of Form TCR. For Part II, write a statement such as, "The materials shown on the attached invoices were used in a contract qualifying for the 5% sales/use tax rate." Sign, title, and date the form in Part III.
- 6) Provide a summary schedule identifying the invoices and partial/full amounts claimed, if it would help the auditor to understand the claim.
- 7) Send your completed refund claim and check to:

Attn: CONTRACTOR REFUND CLAIM
Idaho State Tax Commission
P.O. Box 36
Boise, Idaho 83722-0410

b) The State Tax Commission will review the claim.

9. What should I do if I received nontaxed owner-supplied materials for a qualifying contract and I need to pay the 5% use tax?

- a) Choose either of the two preceding methods depending upon whether you have a sales or use tax number.
- b) The State Tax Commission will review the claim.